

GLOBAL MARKET SQUARE



Global Markets Rally Amid Stable Inflation Trends that Support a Fed Rate Cut with Other Central Banks Signaling Easing, and Wall Street Mostly Up.

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The US and European stock markets closed mostly up; the Nasdaq Composite closed above 20,000 points, driven by Alphabet, Amazon, Meta, and Tesla. The outlier was the Dow Jones, which closed lower; the rest of the market was buoyed by inflation data that aligned with expectations. European markets closed higher, while Asian indices delivered a mixed performance. Meanwhile, bond yields rose slightly, with the 10-year Treasury yield closing at 4.25%. In commodities, oil prices are over 1%, and gold is posting modest gains, up 0.5% to begin the session.

Inflation Remains Steady and Within Expectations

Inflation takes center stage today with the release of November's Consumer Price Index (CPI) report. Headline CPI increased by 0.3% for the month, coming in slightly above projections, at 2.75%, slightly above the Inflation Nowcasting that had the CPI at 2.70%. At the same time, the Core CPI, which excludes volatile food and energy prices, also rose 0.3% monthly and 3.30%, meeting with the Inflation Nowcasting of 3.30%. This marks the fourth consecutive month of a 0.3% monthly rise in core inflation, pushing the three-month annualized rate to 3.7%, its highest level since April.

One encouraging sign in the report is the slowdown in shelter costs, which had been stubbornly high. Shelter inflation rose by 0.3% in November, down from October's 0.4%, while the annual shelter index increases of 4.7% is the lowest since early 2022. In our analysis, today's data supports the Federal Reserve's trajectory for a 0.25% rate cut at next week's meeting. However, with disinflation easing and the US economy maintaining solid momentum, we anticipate a more cautious approach to rate reductions in 2025.

Global Central Banks in the Spotlight

This week's spotlight also falls on global monetary policy, with key central banks making interest rate decisions. The Bank of Canada (BoC) announced a 0.5% rate cut today, lowering its target rate to 3.25%. This marks the BoC's fifth rate cut of 2024 and the second consecutive meeting featuring a more aggressive 0.5% reduction.

Tomorrow, attention will shift to the European Central Bank (ECB), expected to lower its refinancing rate by 0.25%, bringing it to 3.15%. If confirmed, this would mark a total reduction of 1.35% in 2024. The BoC and ECB are facing sluggish economic growth compared to the US, which justifies their more aggressive easing strategies.

Meanwhile, the Federal Reserve is set to meet for the last time this year on December 18. Markets are broadly anticipating another 0.25% rate cut. This is prudent as the Fed seeks to balance easing financial conditions with maintaining stability in a robust US economy.

Key Economic Data:

- **US Consumer Price Index YoY:** rose to 2.75%, compared to 2.60% last month.
- **US Core Consumer Price Index YoY:** is unchanged at 3.30%, compared to 3.30% last month.
- **US Inflation Rate:** rose to 2.75%, compared to 2.60% last month.

Eurozone Summary:

- **Stoxx 600:** Closed at 519.95, up 1.46 points or 0.28%.
- **FTSE 100:** Closed at 8,301.62, up 21.26 points or 0.26%.
- **DAX Index:** Closed at 20,399.16, up 70.00 points or 0.34%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 44,247.83, down 99.27 points or 0.22%.
- **S&P 500:** closed at 6,084.19, up 49.28 points or 0.82%.
- **Nasdaq Composite:** closed at 20,034.50, up 345.55 points or 1.77%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,827.63, down 32.83 points or 0.85%.
- **Birling Capital US Bank Stocks Index:** closed at 6,412.38, down 37.62 points or 0.58%.
- **US Treasury 10-year note:** closed 4.26%.
- **US Treasury 2-year note:** closed 4.15%.



Inflation Nowcasting CPI & Core CPI

Inflation Nowcasting	CPI Forecast	CPI Actual	Core CPI Forecast	Core CPI Actual	Updated
November	2.70%	2.75%	3.30%	3.30%	12.11.24



US CPI, & US Core CPI

- US Consumer Price Index YoY 2.75%
- US Core Consumer Price Index YoY 3.30%
- US Inflation Rate 2.75%





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